GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2136
ANSWERED ON:30.11.2007
CLOSURE OF BANKS IN RURAL AREAS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that certain nationalized banks have decided to shut down its rural branches especially in far flung areas in different parts of the country; and

(b) if so, the details thereof and the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) & (b): Under the instant Branch Authorisation Policy of Reserve Bank of India (RBI), closure of even loss making branches at rural centres having a single commercial bank branch (excluding Regional Rural Bank branch) is not permitted, as the closure would render the centre unbanked. The proposals for closure of a rural branch at a centre served by more than one commercial bank branch are required to be submitted to RBI by banks in the annual branch expansion plan after obtaining approval of District Consultative Committee (DCC). RBI considers these proposals on a case-to-case basis and closure of rural branches is approved only under exceptional circumstances like adverse law and order, natural calamities etc.

As reported by the State Bank of India (SBI), the bank has closed down its Tamei branch in Manipur on 31.08.2007, with the approval of RBI. The functioning of Tamei branch, which was initially opened in rural centre in Manipur had to be stopped in 1982 due to serious insurgency problems. Since there was no perceptible improvement in the position, the branch was closed down. Other Public Sector Banks (PSBs) have reported that they have not closed down their branches at rural centres.